

MANUFACTURING FOR TOMORROW

Congressman Chris Lee

TAX RELIEF

U.S. companies cannot succeed globally unless we have a competitive tax structure domestically. Other industrialized nations have learned this lesson, and as the chart below shows, the world's major economies have reduced their corporate rate over the last decade and a half, so that the average rate is now 26.3 percent, compared to America's 39.21 percent.

America now has the second-highest corporate tax rate in the world next to Japan. But that will not be for long, as Bloomberg News reports that "Japan's government pledged to cut the nation's tax on businesses ... as part of a plan to defeat deflation and end two decades of economic stagnation."

The trend is clear: America's manufacturing competitors have sought to attract manufacturing through lower tax rates. As Scott Hodge, president of The Tax Foundation, notes, "By keeping our corporate tax rate so high, we're creating an economic Berlin Wall around the United States."

We need to reverse this economically destructive trend so that American manufacturers are not competing with one hand tied behind their backs. To ensure that we are competing to win and growing jobs here at home, Chris Lee's *Manufacturing for Tomorrow* agenda will:

- Lower the Corporate Tax Rate – Studies suggest that every 1% that the corporate tax rate is lower than the competition results in 3% additional capital investment. Lowering the corporate rate to 25% will increase productivity domestically and stimulate significant economic growth.

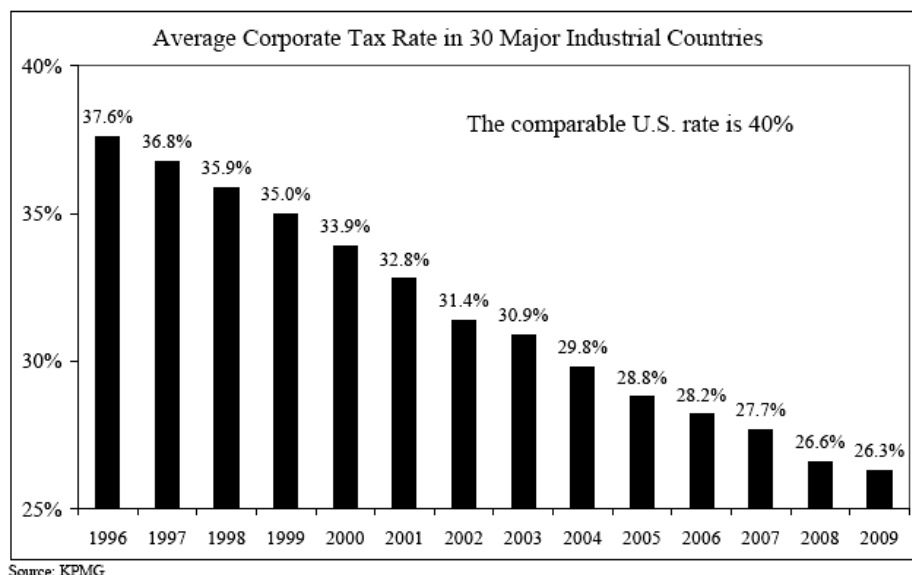


Chart prepared by the CATO Institute

- Strengthen R&D – In a study of the R&D incentives of eight leading Western economies by the British accounting firm Mazars, the United States finished dead-last in a measure of tax competitiveness. James Brett, President and CEO of the New England Council, notes that, “Global competitors such as Canada and China have already surpassed the U.S. in terms of R&D incentives.

The fruits of R&D spending are critical for competitiveness in today’s world economy.” Even the French international trade agency IIFA brags “that since the reform of tax credits for research in 2008, France now offers the world’s most advantageous fiscal regime for corporate research and development.”

Manufacturers need certainty in order to make long-term investments. Ensuring the Alternative Simplified Credit (ASC) is made permanent, as well as creating an additional incentive up to 10% credit for resulting domestic manufacturing, encourages U.S. companies to make significant long-term investments here at home and boost our global competitiveness.

- Enhance Bonus Depreciation – Since deductions taken immediately are worth more than in the future, bonus depreciation incentivizes growth. Making the 50% depreciation permanent and shortening the depreciation schedule means that investment will become more attractive to U.S. companies resulting in the creation of new jobs.

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Corporate Tax Rates

Japan	39.54
United States	39.21
India	33.99
Canada	29.52
Mexico	28.00
United Kingdom	28.00
China	25.00
Ireland	12.50

Source: OECD, KPMG

- Extend Net Operating Loss (NOL) Carryback – If a business is facing a loss, it is important to provide assistance so that they may recover and grow in the future. Making the five-year NOL carryback permanent, and allowing firms to choose the amount to take in order to protect other credits, ensures that viable businesses are able to weather downturns and protects U.S. jobs.
- Keep Capital Gains / Dividend Rates Low – Keeping rates low permanently boosts individual savings and provides incentives for Americans and small businesses to make investments that create jobs.
- Reform Corporate Alternative Minimum Tax – Allowing manufacturers to use their existing credits, and then ending the AMT altogether, preserves jobs and provides for significant capital reinvestment to create new ones.
- Expand Start-Up Deduction – Start-up deductions incentivize innovative Americans to start their own businesses. Increasing the deduction from \$5,000 to \$20,000 and making it permanent encourages the entrepreneurs of tomorrow to start creating jobs today.